

Taiwan's Taste for U.S. Fruits

By Sonia Jimenez and Stan Cohen

Taiwan has been one of the largest markets for U.S. agricultural products since the 1970s. The United States is Taiwan's main supplier of agricultural products, with sales reaching \$1.9 billion in fiscal 2002.

Taiwan has a dynamic, capitalist economy, with gradually decreasing government guidance in investment and trade. For example, some large government-owned banks and industrial firms are being privatized.

Real growth in gross domestic product has averaged 8 percent for the past three decades. Exports have grown even faster and provided the primary impetus for industrialization. Inflation is

low, the trade surplus is substantial and foreign reserves are the world's fourth largest.

Assessing the Competition . . .

In general, the Asian diet traditionally has been high in fruits and vegetables, and Taiwan is no exception. Moreover, the United States is by far Taiwan's largest fresh fruit supplier. Given its economic strength and reliability as a produce market on the one hand, and its WTO (World Trade Organization) accession and geographic and cultural ties to China on the other, Taiwan is worth examining as a current and future market for U.S. produce.

Before Taiwan's accession, the United States enjoyed a favorable position in most key fruit segments because U.S. exports (unlike those of most other countries) were not limited by quotas, and U.S. products obtained phytosanitary clearance with little difficulty.

U.S. fruit exports now face new challenges from South Korea and Japan, both of which successfully exported to Taiwan in the past.

. . . And Gauging the China Challenge

Of course, the principal threat over the longer term is China, whose proximity and significantly lower prices are expected to be the real challenge for U.S. fruit exporters in the years ahead.

Taiwan has not yet granted phytosanitary clearance for any fresh fruits from China, although some dried products have been approved. Phytosanitary clearance is seen as at least two years down the road. But it could take much longer, because Taiwan and Chinese officials have yet to begin even preliminary discussions.

In the interim, the United States is well positioned to gain market share because of its established trade ties with Taiwan and competitors' need to meet various phytosanitary requirements.

In addition, as other Asian countries regain financial stability and resume economic growth, their demand for higher quality produce is expected to increase. Taiwan could become a trading hub, providing U.S. exporters with a gateway for extending trade to other parts of Asia.

Taiwan's Fruit Favorites and Taste Trends

The United States' top fruit exports to Taiwan are apples, peaches, table grapes, cherries, plums and oranges. The United States currently has over 90 percent of Taiwan's stone fruit market. U.S. peach exports to Taiwan reached \$14.6 million in 2001, double the value of six years before.

Nevertheless, U.S. apples face a particularly strong challenge here. Both South Korea and Japan are offering stiff competition: imports are no longer restricted by a ban (in the case of South Korea) or small quota volumes (Japan). Japanese apples are higher in price and lower in quality than U.S. apples. Also, apples from Southern Hemisphere producers Australia, New Zealand and Chile may challenge U.S. market dominance in the off-season, when U.S. apples from controlled-atmosphere storage come onto the market.

But Taiwan's consumers tend to be picky about fruit quality, so chances are good that after experimenting with other suppliers, many importers will return to the United States for most supplies.

In 2001, the U.S. market share of Taiwan's table grape imports was 97 percent. The remaining 3 percent was supplied by Chile in the U.S. off-season.



Under current quarantine regulations, only the United States, Japan and Australia (specifically, Tasmania) are approved to export to Taiwan. U.S. grapes compete mostly with domestic production.

Taiwan's consumers are becoming more sophisticated. Quality appears to be more important than price. Even when faced with financial difficulties, the average consumer will choose a diet that includes abundant fresh fruits and vegetables. Fruit color, size and appearance are of primary consideration and greatly influence prices products can command.

The term "organic" is used liberally, but it typically means the product is locally grown and uncertified, since there is no certification program on Taiwan. Because the term is overused and not clearly defined, the average consumer remains skeptical of it.

Generally, new products are launched in Taipei (in northern Taiwan), and then are picked up in Kaohsiung (southern Taiwan), and then move to Taichung (central Taiwan). U.S. suppliers should provide products that suit the local taste and can be incorporated into local dishes. U.S. products are popular and well regarded in Taiwan. To capitalize on that and counter increasing competition, U.S. suppliers should build up a strong U.S. brand image.

Although trade liberalization will increase competition for U.S. products, tariff reductions are likely to lower import costs, savings that can be passed on to the consumer.

What Retailers Want

Food retailing in Taiwan has entered an era of tough competition, mergers and greater concentration. Fifty-five percent of fruit products are still sold in wet mar-



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kets, but that could change along with overall market shifts and development.

Taiwan's retail, food service and food processing sectors are consolidating and modernizing. All three sectors are looking for new products to get an edge on their competitors. Major export opportunities exist for fresh fruits and vegetables, wines, fruit juices, health foods, ingredients, frozen products and a wide variety of specialty items.

The retail sector is always receptive to new and innovative food products. Because gift giving is a big tradition on Taiwan, fruit packaged as gifts could offer strong growth potential. In addition, lunch boxes are gaining acceptance and are viewed as a good way to introduce consumers to U.S. fresh fruits. The market for packaged vegetables and ready-to-eat foods is also expanding.

Four Paths to Market Entry

Although the distribution system has improved, handling and merchandising are still complicated. Many produce importers on Taiwan also act as their own distributors and wholesalers because they are required to make deliveries to individual stores. Here are four ways to penetrate the market:

Direct: The best method to reach Taiwan's retail buyer is initially to contact them directly via e-mail or fax. Product catalogs and price lists are essential in this approach. Sample products are also helpful.

Indirect: U.S. companies may wish to concentrate on establishing their business relationships with reliable, efficient importers and distributors that in turn will sell products to retail stores.

Person-to-Person: A visit to Taiwan is an excellent way to start a meaningful relationship with a potential buyer. U.S. suppliers are encouraged to bring product samples for potential buyers, because many importers and retailers rely heavily upon their direct experience and personal opinions when deciding on new products to represent.

Online Purchasing: Some retail chains, especially those with foreign joint venture partners, purchase a limited group of product items online. ■

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